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An unending variety of topics

Thursday, January 05, 2006

"Imaginary" property

Game-based virtual property is something I'll have more to say about in the future. It might give us some insight on how other kinds of purely or primarily online property may develop. Of course, game-based virtual property is no more "imaginary" than any other kind of property. Its value, like that of any other property, is based directly on the various preferences people have for it, as well as well as on its supply, and only indirectly on attributes of the property on which those preferences are based. Those attributes may be tangible or intangible.

One interesting issue for game-based property is whether inter-game trade in it ruins the sport of the game. Imagine, for example, if in baseball the New York Yankees could buy not only bid for the best players, but could directly buy bases. Or even just barter bases between games. Imagine the Texas Rangers allowing the Yankees to turn a double into a home run, in exchange for two extra runs for the Rangers in a Yankees-Rangers game next year, so that the Yankees could beat the Boston Red Sox this year for the eastern division title.

A "level playing field" that is considered necessary for sports to be "sporting" seems to require various restrictions on trade. The goal of a sport or game is typically not efficiency in scoring runs or accumulating "gold pieces," but entertainment.

Many people justify trade restrictions outside the realm of sports and games, where efficiency is quite important, on the same kind of ethics. The results are often wasteful, and sometimes disastrous.

Posted by Nick Szabo at 11:06 AM

2 comments:

Serveto said...

Funny, I have been reading many posts about "imaginary property" and MMROPGs lately.

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Nick Szabo

"A premier thinker about history, law and economics, and the lessons they have for security." -- Adam Shostack, Emergent Chaos

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"Like most blogs worth my attention, this blog is updated only infrequently. That is because the authors of blogs worth my attention only post when they have something to say that is true, relevant and not already known by their audience. Most of the human race does not have the skill to know when an idea has these three properties. The skill is particularly rare in the fields of politics and economics, which is why this blog is such a rare and valuable thing." -- Richard Hollerith

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Intergame trading: there is quite a bit of intergame trading at least in professional sports. Often times towards the end of a season, teams with little or no chance of making it to the playoffs will trade one of their better players to: a) free up cash; and/or b) get more cash; and/or c) get young prospects.

Facially, it increases the competition between the teams in the playoffs.

The collegiate level is quite different and could serve as a good comparison because there is relatively no trading going on. I don't think players often switch schools once they have begun a program.

The problem with trading in points is that it reduces the competition of individual games. And I would note competition as the core or at least part of the entertainment value spectators seek. Are end of the season games that are merely time fillers (e.g. you know whether the two teams are going to the playoffs or not) attended by many people? For a team that is certainly not going to the playoffs, no. But it would be interesting to check attendance levels for teams that are guaranteed a playoff slot.

I want to speculate that attendance for those playoff teams is a bit higher, but not significantly so.

Your third paragraph: I don't often hear protests for free trade. I hear about protests for fair trade. Many people seem to neglect America and Western Europe's history of not having social insurance or health insurance or minimum hour or minimum wages for most of the Industrial Revolution. Yet, I find that--especially--newspaper columnists not only overlook it, but often expect these changes overnight.

9:12 PM

Nick Szabo said...

I suspect humans have genetic tendencies to hunter-gatherer ethics, which is why so many people find sports entertaining but market competition unfair. We have to overcome these instincts with highly evolved, i.e. civilized culture if we are to be able to cooperate in groups larger than a hunter-gatherer band or a football team.

There's a Rawlsian argument to be made for "social insurance" along the following lines. Rawls postulated a "veil of ignorance," a hypothetical situation in which we can make agreements without knowing what our lot in life is. After we make these agreements we are randomly born into some kind of family (rich or poor with the odds of being born such distributed as per the actual population). It can be argued that, if we could make binding contracts behind the veil of ignorance, we'd all rationally sign up for insurance policies for unemployment, disability, pension, etc. insurance, with everybody promising to pay the same premium. Since we can't do this, the argument goes, the government should do it for us with premiums in the form of taxes.

The argument has two main problems: (1) the problem every insurance scheme faces, that of moral hazard, and (2) the value measurement problem -- we don't really know what peoples' risk and time preferences are, especially behind the veil of ignorance.

Despite these problems, I think implied contract reasoning at least serves to reason about areas where markets and other contractual institutions have not (yet) come up with a solution. This should at least be helpful to identifying legal roadblocks to and business opportunities for creating such solutions.

2:44 PM

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